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Taiwan

Market Development Reports

Pet Food

2006

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Report Highlights:

U.S. exported US\$23 million of pet food to Taiwan in 2005, a 53 percent increase over 2004 exports. In 2005, Taiwan's total pet food imports totaled US\$57 million, a nearly 14% increase from 2004. Although BSE restrictions have limited U.S. exports to Taiwan, the 40% U.S. market share could continue to grow with renewed effort from U.S. pet food exporters.

Includes PSD Changes: No
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[TW]

I. Market Analysis

U.S. exported US\$23 million of pet food to Taiwan in 2005, a 53 percent increase over 2004 exports. Although the U.S. leads the pet food pack, constantly in close heat with Australia, Taiwan still imports pet food from a diverse range of countries. In 2005, Taiwan's pet food imports totaled US\$57 million, a nearly 14% increase from 2004. U.S. pet food imports continue to recover from an 80 percent fall due to BSE concerns in 2003; rebounding in 2006 is expected to continue over the next few years and market size expected to increase. With renewed effort from U.S. pet food exporters, the 40% U.S. market share could continue to grow, solidifying the U.S. position as chief pet food exporter to Taiwan.

Social trends

Taiwan's rapid globalization has led to an increased focus on health and nutrition for everyone – including household pets. Traditionally, Taiwan household pets have been fed mealtime leftovers, but rising income and western influence has led to increased demand for specifically manufactured pet food. Pets are a symbol of affluence in Taiwan, heavily focused on dogs. Breeds range widely from apartment-friendly, easily portable toy breeds to irresistibly happy large-breed dogs. Puppy and kitten prices range from around US\$300 to over US\$1,000, exponentially higher for purebreds. Internationally savvy, Taiwan pet owners are readily exposed to a wide array of pet-friendly mass media. On the whole, Taiwan generally follows pet trends set in the U.S. or Japan.

Pet ownership as a concept is well established in Taiwan, beginning with family watchdogs. As a result of marrying comparatively late, many Taiwan citizens seek companionship from pets, especially females. Most owners are small families with young children, economically independent singles, and double-income-no-kids (DINK) couples. Also, Taiwan's aging society may stimulate new pet ownership. Providing quality activities and meaningful companionship for aging relatives is rapidly become a society-wide challenge for Taiwan.

Taiwan's pet food paradox is such: despite a recent decline in pet population, demand for high quality pet food is growing. This suggests that Taiwan's pet food market's rapid growth is slowing as it completes a shift to a mature, well-established market, as these shrinkages are widely expected to stabilize. According to a 2005 survey conducted by Taiwan's Council of Agriculture, the dog population has declined to 1.13 million dogs, down 37% from 2001.

Advantages	Challenges
U.S. pet food is widely regarded as high quality. Quality is the main reason pet owners are willing to pay higher prices.	Import regulations and plant inspections slow U.S. suppliers from readily entering the Taiwan market.
Taiwan pet food consumers easily recognize U.S. brands. In Taiwan, social status and brand purchasing go hand-in-hand.	Certain well-known dog food brands are still in recovery stages from a 2004 poisoning scandal.

Likewise, from 2003 to 2005 the cat population shrunk by 12%. Currently, around 12% of Taiwan families raise a dog, whereas 2% own a cat.

Overall, signs of pet diversification are showing. According to a 2005 Council of Agriculture survey, cats are becoming especially popular for Taiwan's tight living spaces. Alternative and exotic pet ownership is growing too – fish, turtle, rodent, rabbit, sugar glider, ferret, and hedgehog ownership have all increased. Pet piglets have

2006 Year of the Dog Taiwan Top Selling Breeds

1. Red Toy Poodle
2. Maltese
3. Daschund
4. Chihuahua
5. Yorkshire Terrier
6. Pomeranian
7. Shih Inu
8. Shih Tzu
9. Beagle
10. Siberian Husky

Source: Taipei Pet Commerce Association, 2006

even been seen trotting the streets of Taipei. Increasing numbers of these animals will create unique niche markets for U.S. pet food suppliers.

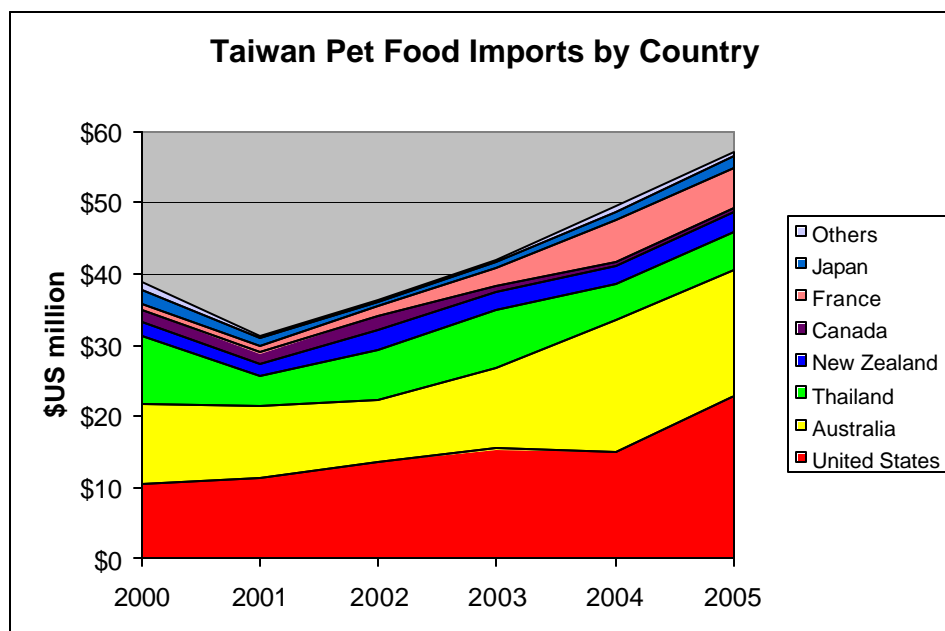
II. Market Sector Analysis

Trade and competition

There is no official data on domestic pet food manufacturing, but it is estimated that domestic production yields less than 20% of total pet food supply. Taiwan's local production is limited to Fwusow and Uni-President brands.

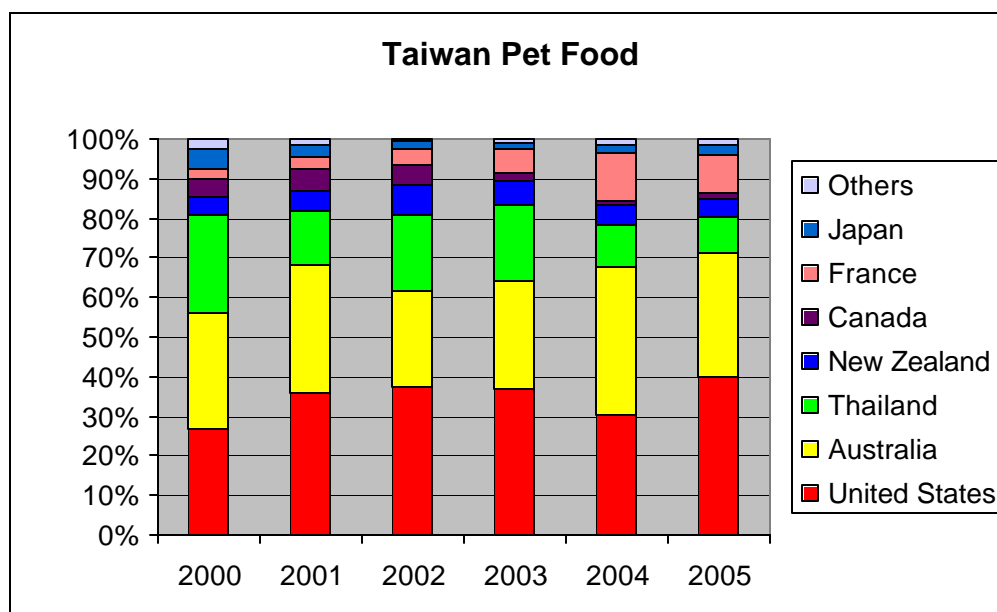
From 2001 to 2005, the pet food import market nearly doubled in size. Excitingly, U.S. pet exports reflect that trend – U.S. market share has increased from 26% in 2000 to 40% in 2005. Although the U.S. currently leads Taiwan pet food imports, Australia is still a major competitor.

The sharp drop in 2001 imports is a consequence of flat local economy growth, thus forcing many Taiwanese to give up their pets, leading to a sharp increase in stray dogs. In 2004, Council of Agriculture released a low estimate of 180,000 strays island-wide.



Source: Global Trade Atlas 2006, Taiwan Council of Agriculture

Although U.S. pet food exports to Taiwan suffered in 2003 due to BSE concerns, the next chart shows a healthy rebound. The 2004 Pedigree food poisoning scandal also resulted in a major shakeup in company rankings of dog food, causing a few top pet food importers to shift away from U.S. brands. Manufacturers were forced to recall Pedigree dog food and Whiskas cat food manufactured in Thailand in March 2004 after cases of canine renal illness surfaced among dogs that had consumed the products. Some of the dogs died of kidney failure.



Source: Global Trade Atlas 2006, Taiwan Council of Agriculture

According to industry sources, the ratio of dog to cat food sold is 70:30. Popular U.S. brands include Pedigree, Natural Choice, IAMS, Hill's, Eukanuba, Precept, Royal Canine, Optima, Friskies, and Cesar. On the shelf, consumers are exposed to dizzying arrays of canned and bagged food; labeling languages include English, Mandarin, Japanese, and even French. Pet foods sales typically slump during hot summer months and resume during fall and winter.

Distribution channels

Pet food importers prefer to sell directly to retail outlets to avoid costs associated with wholesalers and distributors. Five most important retail outlets for pet food and snacks are as follows:

1. **Supermarkets** supply the largest quantities and selections of pet food. This is by far the most important distribution channel, capturing the majority of Taiwan citizens shopping for weekly groceries.
2. **Convenience stores** carry small quantities of pet food. Don't underestimate this retail outlet: Taiwan has one of the world's highest convenience store densities with over 8,000 outlets nationwide.
3. **Pet specialty stores** sell every pet related commodity imaginable, from toys, snacks, accessories, and pet clothing to actual animals. Taiwan has about 2,500 such shops.
4. **Animal hospitals** are turning into pet mega-stores, offering great opportunities for pet niche foods, high quality snacks, and luxury pet items. Taipei alone has 5 such hospital megaplexes.
5. **Veterinarians** sell a limited quantity of pet food, but over time have been squeezed out of competitive pet food sales. As a result, Taiwan vets have an unspoken agreement only to carry one brand of pet food. Formerly Hill's (U.S.), the brand is now Royal Canine (U.S.), due to an extensive, vet-targeted promotion campaign.

Taipei ATO strongly recommends investing necessary time and energy to find a good distributor for your pet food products. Preferably, a good distributor would be willing to engage in promotional and seasonal activities and in return expect a long-term contract. Taipei ATO maintains a list of these distributors, please contact our office for further information.

Marketing Opportunities

Pet ownership concepts do differ between northern and southern Taiwan. Northern Taiwan (primarily Taipei) has already adopted many pet trends such as acknowledging a need for pet nutrition, supplying proper healthcare, and engaging in some degree of coddling. Taipei's pet industry includes such services as pet boarding, obedience trainers, pet portrait stores, and pet restaurants/play areas. In contrast, central and southern cities of Taichung, Tainan, and Kaohsiung are still developing their respective pet markets, providing U.S. companies a significant opportunity to develop this export market.

In Taiwan, well-planned promotions strongly dictate the rise or fall of new-to-market pet food products. Recently, brand promotions have tightly focused on cultivating a demand for premium pet food. Pushing attractively packaged wet food over bulky, dry, bagged perfectly illustrates this trend. New pet food product advertisements typically tout customized nutrition content, all organic, or vegetarian faire.

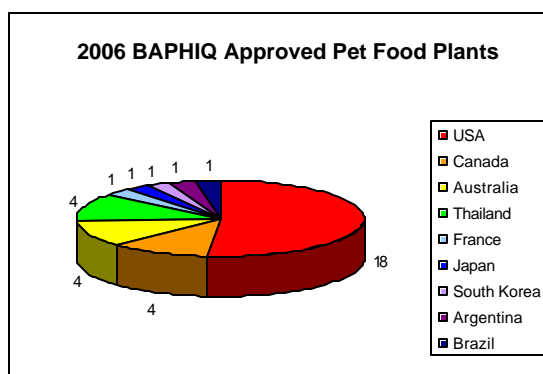
Many pet food importers conduct marketing activities, usually by advertising products in local pet lovers magazines. Occasionally, in-store promotions and live pet shows are sponsored by specific brands. For more information on these activities, U.S. suppliers should contact Taipei ATO for a current list of pet food importers, who will then refer you to their retail outlets.

III. Market Access

Overview

Detection of BSE in December 2003 led to a ban on U.S. pet food imports, except for those derived from fish, poultry, or dairy (no animal origin materials). In 2004, Taiwan relaxed pet food import requirements by allowing pet food that do not contain U.S. ruminant products or use imported ruminant ingredient. Also in 2004, U.S. pet food facilities began to regain market access after Taiwan's plant-by-plant visit and approval process. In 2005, USDA's Animal & Plant Health Inspection Services (APHIS) established a Taiwan office. Industry group Pet Food International (PFI)

currently coordinates applications for plant inspection through the Taiwan APHIS office in conjunction with Taiwan's Bureau of Animal & Plant Health Inspection & Quarantine (BAPHIQ). At the time of writing, 18 U.S. facilities have been approved.



Source: Taiwan Bureau of Plant & Animal Health Inspection Services (BAPHIQ) website, 2006

For HS code 2309.1000.02 "Dog or cat food, put up for retail sale," there is a 2% tariff.

Requirements Specific to Pet Food

According to Taiwan's Feed Controls Act, which was promulgated in 1973 and amended in 2002, as well as "Enforcement Rules of the Food Controls Act," amended in 2003, feed or feed additives, without containing veterinary pharmaceuticals, must specify on the package or container, in Chinese characters, the following information prior to sale.

- Name and address of the manufacturer or the seller
- Classification, category and name of the product.
- Composition
- Major ingredients
- Usage, dosage, and precautions in use.
- Net weight
- Manufacture or import permit code
- Date (year/month/day) of manufacture and processing or repacking
- Any other information that may be required by the Taiwan authorities for specific products.

The Chinese language label for animal and plant feed must be affixed prior to retail sale. Pet food is still allowed to clear Taiwan Customs without a Chinese label, provided that the label is affixed prior to entering the retail sales channel. There is a significant penalty for retail products sold without the Chinese label.

Feed or feed additives that contain veterinary pharmaceuticals should refer to "Veterinary Drugs Control Act." (See Section VI regarding certification requirements for pet food).

For more information on Taiwan import regulations, per refer to GAIN report TW6027 "Food and Agricultural Regulation & Import Standards," published annually.

IV. Contact information

There are three USDA offices based in Taipei to assist with your agricultural trade/export needs to Taiwan.

The **Agricultural Trade Office (ATO)** works with more than 20 US producer associations represented in the Taiwan market and is constantly developing new marketing activities for Taipei and other key cities in Taiwan. Please contact the ATO for basic market information reports and updates on promotional activities including food shows and buyer missions:

Agricultural Trade Office, Taipei
Rm. 704, 7th Fl., Lotus Bldg.
No. 136 Ren-ai Rd., Section 3
Taipei, Taiwan

Office (P): (886-02)2705-6536
Office (F): (886-02) 2706-4885
Email: ATOTaipei@usda.gov
Website: <http://www.ait.org.tw/en/agriculture/ato/>

The **Agricultural Affairs Office (AAO)** is located in the American Institute of Taiwan and is responsible for reporting and dealing with market access issues. Please contact the AAO for any regulatory or market access type questions:

American Institute in Taiwan
Agricultural Affairs Office
No. 7, Lane 134, Hsin-Yi Rd., Sec. 3
Taipei, Taiwan

Office (P): (886-02)2162-2316
Office (F): (886-02) 2162-2238
Email: AGTaipei@usda.gov

Website: <http://www.ait.org.tw/en/agriculture/ato/>

The AAO also hosts two representatives from USDA's **Animal and Plant Health Inspection Service (APHIS)**. This office deals with bilateral, sanitary and phytosanitary issues related to agricultural trade.

American Institute in Taiwan
Animal and Plant Health Inspection Service
No. 7, Lane 134, Hsin-Yi Rd., Sec. 3
Taipei, Taiwan

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